



Washington State Auditor's Office

Government that works for citizens

Accountability Audit Report

Tonasket Emergency Medical Service District

Okanogan County

For the period January 1, 2012 through December 31, 2014

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Washington State Auditor's Office

March 7, 2016

Board of Commissioners
Tonasket Emergency Medical Service District
Tonasket, Washington

Report on Accountability

Thank you for the opportunity to work with you to promote accountability, integrity and openness in government. The State Auditor's Office takes seriously our role of providing state and local governments with assurance and accountability as the independent auditor of public accounts. In this way, we strive to help government work better, cost less, deliver higher value and earn greater public trust.

Independent audits provide essential accountability and transparency for District operations. This information is valuable to management, the governing body and public stakeholders when assessing the government's stewardship of public resources.

The attached comprises our report on the District's compliance and safeguarding of public resources. Our independent audit report describes the overall results and conclusions for areas we examined. We appreciate the opportunity to work with your staff and we value your cooperation during the audit.

Sincerely,

A handwritten signature in cursive script that reads "Troy X. Kelley".

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

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AUDIT SUMMARY

Results in brief

In most areas we audited, District operations complied with applicable requirements and provided adequate safeguarding of public resources. The District also complied with state laws and regulations and its own policies and procedures in the areas we examined.

However, we identified areas in which the District could make improvements.

We recommend the Board of County Commissioners and Advisory Board establish internal controls over financial operations. The control structure should be adequate to facilitate retention of adequate documentation to support the validity of transactions, monthly reconciliation of the payroll imprest account, proper handling of donations and approval of timesheets, and to ensure all activity is performed under the governance of the Board of County Commissioners.

These recommendations were included in our report as a finding.

About the audit

This report contains the results of our independent accountability audit of the Tonasket Emergency Medical Service District from January 1, 2012 through December 31, 2014.

Management is responsible for ensuring compliance and adequate safeguarding of public resources from fraud, loss or abuse. This includes the design, implementation and maintenance of internal controls relevant to these objectives.

Our audit involved performing procedures to obtain evidence about the District's uses of public resources, compliance with state laws and regulations and its own policies and procedures, and internal controls over such matters.

In keeping with general auditing practices, we do not examine every transaction, activity or area. Instead, the areas examined were those representing the highest risk of fraud, loss, abuse, or noncompliance. The following areas were examined during this audit period:

- General disbursements
- Payroll salary approvals
- Payroll imprest account transactions
- Bank reconciliations and deposits
- Credit card transactions

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

2014-001 The District does not have adequate controls over financial operations, placing public resources at risk of loss or misappropriation.

Background

The Tonasket Emergency Medical Service District collected annual revenues of approximately \$229,000 to \$309,000 for years 2012-2014 from taxes and ambulance service charges. District expenditures ranged from \$259,000 to \$308,000 for salaries and benefits, supplies, training, and capital purchases.

The elected Board of County Commissioners (BOCC) governs the District, approves vouchers and policies, and appoints a five-member Advisory Board to oversee the daily operations. The Advisory Board reviews vouchers and makes recommendations to the BOCC about decisions and policy. The District also appoints a District Director and a Financial Secretary.

Description of Condition

Aside from his oversight of training and scheduling, the Director was also solely responsible for the financial transactions from May 2012 to March 2013. The District then hired a Financial Secretary in March 2013 that took over responsibility for processing all payments, including payroll.

We identified the following deficiencies at the District:

Training

- The Director is responsible for oversight of training at the District. However, he also owns and operates the private business that provides training to the District without adequate oversight to ensure the District only paid for training that benefited the District.
- The District paid \$7,601 to the Director's business for training and materials to be provided to District Emergency Medical Technicians (EMTs). However, the District could not provide adequate support, such as a class sign-in or roster, to demonstrate that District employees received these services.
- The District paid the Director's business \$1,289 for training provided to six students that did not work for the District. Further, the District paid

\$213 for first aid cards for 14 EMTs from another EMS District, and could not provide evidence of reimbursement from the District. In addition, the District paid \$260 for first aid cards for private citizens, which were later reimbursed by the citizens.

Payroll

- The Director increased his salary by \$300 per month for fiscal year 2013 without approval of the BOCC. Once discovered, the BOCC required the Director to pay the funds back through payroll deductions, which we confirmed at the time of our audit.
- Between July and November 2012, the Director transferred \$12,777 from the District's payroll imprest fund to open a debit card account without approval of the BOCC. After the BOCC discovered the account, the Director closed the account in December 2012, transferred \$376 back to the payroll imprest fund, and issued a check for the remaining \$7,816 to the County Treasurer.
- The District did not properly reconcile the payroll imprest fund monthly or request replenishment for the account to cover all payments made between June 2012 and June 2013. The District subsequently attempted to reconcile the account and requested replenishment; however, we determined their reconciliation was incorrect. We found an additional \$1,278 had not been replenished during that period.
- The Financial Secretary approves her own and the Director's payroll. There is no secondary review of the Financial Secretary's timesheet, and she is a subordinate to the Director, which could cause a conflict if errors were noted.

Donations

- The District provided EMS services to a local event in exchange for a \$3,000 donation. The Director asked the payee to rip up the check written to the District, and instead write it to him personally. He subsequently deposited the funds into his personal account to use for training books. When the Advisory Board found out the funds were deposited into the Director's personal account, they requested repayment. We confirmed the \$3,000 payment was deposited with the County Treasurer. The Director subsequently billed the District for the training books.

- The District surplused and sold an ambulance to a private citizen. In addition to the funds paid for the sale of the ambulance, the citizen gifted \$500 to the District to, “do something nice for the employees”. The Director retained the donation, rather than depositing it into the District’s account. We confirmed that after the Advisory Board later found out about the donation, the Director deposited \$500 into the District’s account.
- The Director deposited \$400 in donations into the debit card account he set up outside of the BOCC’s control. We confirmed that the funds were deposited to the County Treasurer’s Office when later discovered by the BOCC.

General Disbursements

- The Director used the District debit and credit cards twice for \$562 in personal purchases and later reimbursed the District as requested. Personal purchases are not allowable under state law.
- The District could not provide adequate documentation to demonstrate expenditures totaling \$21,280 were for allowable business purposes.
- The District does not have adequate policies over travel, training and uniforms to provide guidance for required documentation and allowable transactions.

Cause of Condition

The Director and Advisory Board acted without approval or adequate reporting to the BOCC. The Director did not receive appropriate training to ensure he understood the restraints and requirements in a government entity or the hierarchy of governance.

Effect of Condition

The lack of reporting to the BOCC, internal controls and oversight increases the risk of misappropriation or misuse of resources could occur and not be detected in a timely manner. In addition, due to lack of supporting documentation, we were unable to determine if a loss had occurred.

Recommendation

We recommend the BOCC and Advisory Board establish internal controls over financial operations. The control structure should be adequate to facilitate retention of adequate documentation to support the validity of transactions, monthly reconciliation of the payroll imprest account, proper handling of

donations and approval of timesheets, and to ensure all activity is performed under the governance of the BOCC.

District's Response

The Okanogan County Board of County Commissioners and Tonasket EMS District Advisory Board have taken action to address and implement internal controls over financial management to ensure all activity is performed under the governance of the BOCC in accordance with applicable laws and regulations. The following concerns have been addressed.

Training: *The BOCC alerted the State Auditor's Office in 2013/2014 regarding concerns and issues that were identified and addressed in the audit report after full review by the State Auditors. The BOCC and the Tonasket EMS District Advisory Board have implemented new policies and procedures addressing all aspects over financial operations and established internal controls, including clear separation between Public Agencies/Public Funds and Private Business.*

Payroll: *The BOCC alerted the State Auditor's Office in 2013/ 2014 regarding concerns and issues that were identified and addressed in the audit report after full review by the State Auditors. The BOCC and the Tonasket EMS District Advisory Board have implemented new policies and procedures addressing all aspects over financial operations, established internal controls, including separation of duties regarding signing timesheets.*

Donations: *The BOCC alerted the State Auditor's Office in 2013/2014 regarding concerns and issues that were identified and addressed in the audit report after full review by the State Auditors. The BOCC and the Tonasket EMS District Advisory Board have implemented new policies and procedures addressing all aspects over financial operations, established internal controls including clear direction regarding the process for receiving donations and notification, and approval of the Advisory Board with decisions and approval recorded in meeting minutes.*

General Disbursements: *The BOCC alerted the State Auditor's Office in 2013/2014 regarding concerns and issues that are now identified and addressed in the audit report after full review by the State Auditors. The BOCC and the Tonasket EMS District Advisory Board have implemented new policies and procedures addressing all aspects over financial operations, establishing internal controls including new travel and training policies with clear direction regarding uniforms.*

Policy Amendments: The BOCC is reviewing the following policies amendments for approval.

- *Policy 6; amend for clarification of volunteer compensation.*
- *Policy 7; amend for electronic deposit of ambulance services receipts to comply with 24 hour deposit.*
- *Policy 11; establish uniform and equipment provision.*
- *Policy 12; establish training and reimbursement for travel.*

Auditor's Remarks

We thank the District for its assistance throughout the audit, and the steps it is taking to address these issues. We will review the status of the District's corrective action during our next audit.

Applicable Laws and Regulations

RCW 43.09.200 Local government accounting—Uniform system of accounting, states in part;

The state auditor shall formulate, prescribe, and install a system of accounting and reporting for all local governments, which shall be uniform for every public institution, and every public office, and every public account of the same class.

Budgeting, Accounting and Reporting System (BARS) manual

3.1.3 Internal Control

Purpose and Definition of Internal Controls

3.1.3.10 Internal control is defined by the Committee of Sponsoring Organizations of the Treadway

Commission (COSO), in standards adopted by the American Institute of Certified Public Accountants and by the Federal Office of Management and Budget as follows:

3.1.3.20 Internal control is a process – affected by those charged with governance, management and other personnel designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- Effectiveness and efficiency of operations
- Compliance with applicable laws and regulations
- Reliability of financial reporting

3.1.3.30 Management and the governing body are responsible for the government's performance, compliance and financial reporting. Therefore, the adequacy of internal control to provide reasonable assurance of achieving these objectives is also the responsibility of management and the governing body. The governing body has *ultimate* responsibility for ensuring adequate controls to achieve objectives, even though *primary* responsibility has been delegated to management. Since management and the governing body are assumed to work in harmony, both parties are collectively referred to as "management" throughout the rest of this section . . .

3.1.3.100 The Washington State Auditor's Office does not require specific controls to be implemented by entities. The State Auditor only requires that whatever controls entities choose to implement be adequate to provide reasonable assurance regarding compliance and financial reporting risks. The burden of demonstrating the adequacy of internal controls rests on management, since management is responsible both for the achievement of objectives and the determination of the design and operation of controls.

Budgeting, Accounting and Reporting System (BARS) manual

Voucher Certification and Approval (RCW 42.24)

All claims against a municipality must be preaudited by the auditing officer of the municipality or his/her delegate. In addition, all claims must be certified by the auditing officer. This certification may be made on each individual claim voucher or, subject to the acceptance and approval of the municipal legislative body, a blanket voucher certification may be used so long as it indicates the particular vouchers so certified. The use of a blanket certification in no way relieves the auditing officer of his/her responsibility and liability for each individual voucher so certified. The certification is required regardless how the transaction is processed (i.e., through warrants, checks, EFTs, etc.). The certification must be signed and dated by the auditing officer or his/her delegate. For all claims, except expense reimbursement claims certified by officers or employees (see Employee Travel), the certification must include the following language:

I, the undersigned, do hereby certify under penalty of perjury that the materials have been furnished, the services rendered or the

labor performed as described herein, that any advance payment is due and payable pursuant to a contract or is available as an option for full or partial fulfillment of a contractual obligation, and that the claim is a just, due and unpaid obligation against the (city/county/district), and that I am authorized to authenticate and certify to said claim.

The auditing officer's certification for employee/officer expense reimbursement claims must include the following language:

I, the undersigned, do hereby certify under penalty of perjury that the claim is a just, due and unpaid obligation against the (city/county/district), and that I am authorized to certify to said claim.

The certification by the auditing officer in no manner relieves members of the governing body from the responsibility and liability for each voucher approved. It is the governing body's responsibility to ensure that the system of auditing and certifying vouchers is operating in a manner to provide the greatest possible protection for the governing body members and the municipality...

The original copy of all vouchers should be filed in the office of the auditing officer of the municipality. The detailed accounts to which the expenditures are to be posted must be clearly designated. Supporting documentation must be retained and either attached to the vouchers or canceled by the auditing officer to prevent reuse. See RCW 43.09.200.

Districts that do not issue their own warrants should send either original vouchers or other supporting documentation (e.g., listing of approved vouchers, etc.) to the county auditor.

Budgeting, Accounting and Reporting System (BARS) manual

3.8.8 Imprest, Petty Cash and Change Funds

3.8.8.10 Purpose: For the purpose of BARS, petty cash includes change funds, working funds, revolving, advance travel, stamp funds, change funds, or any other funds set aside for such specific purposes as minor disbursements, making change, and similar uses. If the petty cash is disbursed, it is periodically restored to its

original amount by a warrant drawn and charged to the applicable operating fund.

3.8.8.11 Budgeting: Imprest, petty cash and change funds are not budgeted because they represent working capital for expenditures that are properly budgeted in other funds.

3.8.8.15 Accounting: The authorized balance of imprest, petty cash and change funds should be reported as cash in the general ledger. Expenditures should be recorded when such funds are replenished to their authorized balance.

3.8.8.20 Controls: The following are minimum requirements for the establishment and operation of such funds.

1. The governing body must authorize each petty cash account in the manner that local legislation is officially enacted, i.e., resolution or ordinance. This applies also to all subsequent increases or decreases in the imprest amount. The original authorized balance and any subsequent increase may be established by treasurer's check.
2. The governing body or its delegate must appoint one custodian of each petty cash account who should be independent of invoice processing, check signing, general accounting and cash receipts functions. As part of the appointment, the custodian should render a receipt for the imprest amount to the treasurer, clerk-treasurer or auditor from whom he/she receives it. When it is not practical to hire additional personnel or to reallocate these duties among existing personnel, the governing body must establish some mechanism of review that accomplishes the objectives of the segregation of duties. For example, periodic monitoring of cash receipts and/or independent performance of the reconciliation may be adequate compensating controls for when complete segregation of duties is not possible.
3. The authorized balance should not exceed one month's salary or the surety bond covering the custodian.
4. On a monthly basis, the fund should be reconciled to the authorized balance and to the actual balance per bank statements or a count of cash on hand. If this reconciliation is

done by the custodian, it should be checked or re-performed periodically by someone other than the custodian.

5. For funds on hand (i.e., petty cash or change funds), the custodian must ensure cash is kept in a secured place, such as a locked drawer or box.
6. Whenever disbursements are made, the fund must be replenished at least monthly by warrant or check. The replenishment should be subject to the same review and approval as processed invoices. The replenishment must be by voucher with the appropriate receipts attached. The receipts should show the date, recipient, purpose, and amount of each cash disbursement. These receipts must be signed by the person receiving the money, stamps, etc. The receipts should be perforated or canceled by some other appropriate means to prevent reuse. At the time of replenishment, the custodian should ensure that the balance remaining in petty cash, together with the amount of the replenishment voucher, equals the authorized balance.
7. No receipts may be deposited to the fund other than approved replenishments and increases to the authorized balance as described above.
8. The fund may never be used for personal cash advances, loans or expenditures.

RCW 43.09.2855 Local governments – Use of credit cards, states in part:

- (1) Local governments, including counties, cities, towns, special purpose districts, municipal and quasi-municipal corporations, and political subdivisions, are authorized to use credit cards for official government purchases and acquisitions.

INFORMATION ABOUT THE DISTRICT

Tonasket Emergency Medical Service District is a volunteer organization dedicated to providing emergency response services to the City of Tonasket.

The Okanogan County Commissioners govern the District and appoint a five-member Advisory Board to oversee the day-to-day operations. The District collected revenues of \$233,000, \$265,000 and \$311,000 in fiscal years 2012, 2013 and 2014, respectively.

Contact information related to this report	
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Information current as of report publish date.

Audit history

You can find current and past audit reports for the Tonasket Emergency Medical Service District at <http://portal.sao.wa.gov/ReportSearch>.

ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments as well as [fraud](#), state [whistleblower](#) and [citizen hotline](#) investigations.

The results of our work are widely distributed through a variety of reports, which are available on our [website](#) and through our free, electronic [subscription](#) service.

We take our role as partners in accountability seriously, and provide training and technical assistance to governments, and have an extensive quality assurance program.

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